

# M e m o r a n d u m

To: Panel Members Date: January 26, 2007

From: Creighton Chan, Manager Analyst: A. Nastari

Subject: One-Step Agreement for **AVAGO TECHNOLOGIES LTD.**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports Moving To A High Performance Workplace; Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: No
- Contractor's Full-Time Employees
  - *Worldwide:* 6,300
  - *In California:* 400
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$149,760
- Substantial Contribution: \$0
- Total ETP Funding: \$149,760
- Total In-kind Contribution: \$212,000
  - *Trainee Wages Paid During Training:* \$212,000
  - *Other Contributions:*
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Santa Clara

## **INTRODUCTION:**

Avago Technologies Ltd (Avago), headquartered in San Jose, California, designs, develops, manufactures and supplies components used in cellular phones, data networking and telecom equipments, printers, optical mice, LED lamps and displays, consumer appliances, auto signaling and dashboard illumination, and LCD and plasma televisions. Avago is eligible for standard ETP funding under Title 22 California Code of Regulations, Section 4416(d) because it is a manufacturer.

Avago began in 1961 as the components division of HP Associates, an affiliate of Hewlett Packard. In 1999, HP spun off Agilent Technologies Semiconductors Business Group and (Avago) became the semiconductor products group of Agilent. In December 2005, Agilent sold the semiconductor products group to private investors, which became Avago Technologies Ltd. Due to the separation from Agilent, Avago must rebuild its support functions, install new operational organizations, implement company-wide business practices and processes, and become more efficient.

To meet the company's challenges, Avago must provide its administrative support staff, engineers, managers, and technicians with continuous improvement skills that include problem solving, critical thinking, and project management courses. The training will assist workers to effectively address and resolve complex issues and efficiently develop and design new products allowing Avago to remain a competitive manufacturer and supplier of components for the manufacturing of consumer products.

## **MEETING ETP GOALS AND OBJECTIVES:**

Avago proposes training that will further the following ETP goals and objectives:

- 1) Foster job retention in industries threatened by out-of-state competition.
- 2) Promote the California manufacturing workforce.
- 3) Assist the company as it expands to new markets which will provide economic growth by stimulating exports.
- 4) Enhance the skills of frontline workers to prepare them for the company's move to a high performance workplace.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job 1 Retrainees	MENU: Continuous Improvement Skills	320	24-80	0	\$468	*\$13.51 – \$70.00
<b>Wages After 90-Day Retention</b>						
<b><u>Occupation</u></b>						
Administrative & Support Staff						
Engineers and Technicians						
Managers						
<b><u>Health Benefits Used To Meet ETP Minimum Wage:</u></b>					<b><u>Turnover Rate</u></b>	<b><u>% Of Mgrs &amp; Supervisors To Be Trained:</u></b>
* Health benefits of \$1.50 may be added to trainee wages to meet the ETP minimum hourly wage of \$13.51 for Santa Clara County.					10%	10%
<b><u>Other Employee Benefits:</u></b>						
The company provides paid holiday, vacation, bereavement and sick leave, as well as a 401 (K) Plan.						

**COMMENTS / ISSUES:**

➤ ***Frontline Workers***

Of the 320 participants in this project, 290 meet the Panel definition of frontline workers under Title 22 California Code of Regulations, Section 4400(ee). The remaining 30 trainees (10 percent) are managers who have direct reports, but over 50 percent of their time is dedicated to managing projects or operations. The managers are not executive level staff and do not set company policy.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

**RECOMMENDATION:**

Staff recommends the Panel approve this project because it will assist Avago in its move to a high performance workplace and in the expansion of its business initiatives, thereby allowing it to remain competitive in the manufacturing industry. Approval of this project would further allow the company to provide secure, high-wage, high-skilled jobs for its workers.

**NARRATIVE:**

In the past year, Avago experienced a vast change in its organizational structure as it became an independent company due its separation from Agilent Technologies. Avago has had to 1) develop and restructure its management team; 2) reorganized its administrative support, engineering, and production departments; and 3) identify its business initiatives as a privately held semiconductor company.

Avago must meet the customers' demands for new products designs and new products, and must effectively rebuild its departments and support functions with minimal interruption to the workforce. In an effort to create a seamless transition, the company developed a conservative training plan that will take the company through the initial phases of creating a workforce that will identify and resolve issues, and develop processes that can be implemented company-wide. According to Avago representatives, ETP funds will assist the company in its transition to a high performance workplace that will use innovative methods to increase efficiencies in the frontlines through its management team.

Continuous improvement skills will be provided to Administrative and Support Staff, Engineers, Technicians, and Managers. Courses will encompass critical thinking processes which include, concern analysis; problem solving; decision making; planning implementation; and project management skills.

***Commitment to Training***

The company representatives report that the ETP funding will not displace the company's current training programs which include new hire orientation, on-the-job training, basic skills training, including general process and procedures. Additionally, Avago created and implemented its enterprise resource planning system on which training was provided company-wide.

The ETP funds will allow Avago to train a large number of workers and provide a solid foundation for future training. Avago plans to use the proposed training plan in its initial efforts to develop a more structured training program.

**SUBCONTRACTORS:**

None

**THIRD PARTY SERVICES:**

California Manufacturing Technology Association, Sacramento, California assisted with the application development at no cost to the contractor.

**AVAGO TECHNOLOGIES LTD.**

MENU CURRICULUM

Class Lab Hours

24 - 80

Trainees will receive any of the following:

**Continuous Improvement Skills**

Problem Solving Skills – Critical Thinking

- Concern Analysis
- Root Cause Analysis
- Decision-Making
- Planning & Implementation

Project Management

<p><b><u>Comment:</u></b> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
--